



Private &amp; Confidential

**INDEPENDENT AUDITOR'S REPORT**  
**TO THE SHAREHOLDERS OF MRF LANKA (PVT) LTD**

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the financial statements of MRF Lanka (Pvt) Ltd (*the Company*), which comprise the statement of financial position as at 31<sup>st</sup> March 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion the accompanying financial statements give a true and fair view of the financial position of the Company as at 31<sup>st</sup> March, 2023, and of its financial performance and its cash flows for the year then ended in accordance with *Sri Lanka Accounting Standards for Small and Medium Sized Entities (SLFRS for SMES)*.

**Basis for Opinion**

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements of the Code of Ethics issued by CA Sri Lanka (Code of Ethics) that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards for Small and Medium Sized Entities and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.





### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.





**Report on Other Legal and Regulatory Requirements**

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.



**B. R. DE SILVA & CO.**  
Chartered Accountants  
Colombo 05.

Date.. 26/11/2023  
LW/ST/Ca



**MRF LANKA (PVT) LIMITED****STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31ST MARCH**

	Note	2023		2022
		Rs.	Cts.	Rs.
Revenue	(4)	546,514,105.37		325,558,781
Cost of Sales		(476,963,985.82)		(289,794,000)
Gross Profit		69,550,119.55		35,764,781
Other Operating Income		17,348,312.17		4,343,359
		86,898,431.72		40,108,140
Administrative Expenses		(40,520,749.38)		(30,436,024)
Profit from Operating Activities	(5)	46,377,682.34		9,672,116
Finance Income	(6)	44,674,476.74		20,634,519
Finance Costs	(7)	14,598,532.89		9,790,077
Profit before Taxation		105,650,691.97		40,096,712
<b><u>Taxation</u></b>				
Income tax Provision for the year	(8)	(16,604,663.17)		(3,430,904)
Deferred Taxation (Note -11)	(8)	(4,723,055.18)		3,860,490
		(21,327,718.35)		429,586
Profit for the year		84,322,973.62		40,526,298
Total Comprehensive Income		84,322,973.62		40,526,298
Earnings Per Share	(9)		2.47	1.19

The Notes to the Financial Statements in pages (05) to (18) form an integral part of these Financial Statements.

**MRF LANKA (PVT) LIMITED****STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31ST MARCH, 2023**

	<i>Stated Capital</i>		<i>Retained Earnings</i>		<i>Total</i>	
	<i>Rs.</i>	<i>Cts.</i>	<i>Rs.</i>	<i>Cts.</i>	<i>Rs.</i>	<i>Cts.</i>
Balance as at 01.04.2021	341,603,240.00		268,713,776.51		610,317,016.51	
Profit for the year		-	40,526,298.28		40,526,298.28	
Balance as at 01.04.2022	341,603,240.00		309,240,074.79		650,843,314.79	
Profit for the year		-	84,322,973.62		84,322,973.62	
Balance as at 31.03.2023	<u>341,603,240.00</u>		<u>393,563,048.41</u>		<u>735,166,288.41</u>	

The Notes to the Financial Statements in pages (05) to (18) form an integral part of these Financial Statements.



**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31ST MARCH**

	Note	2023		2022
		Rs.	Cts.	Rs.
<b>ASSETS</b>				
<b>Non-current Assets</b>				
Property, Plant & Equipment	(10)	25,213,461.35		28,914,992
Deferred Tax Assets	(11)		-	2,661,598
		<u>25,213,461.35</u>		<u>31,576,590</u>
<b>Current Assets</b>				
Inventories	(12)	236,662,456.07		118,143,844
Debtors and Receivables	(13)	106,202,201.60		56,504,504
Short Term Investments	(14)	474,484,030.90		537,483,802
Cash and Cash Equivalents	(15)	31,084,795.86		9,093,048
		<u>848,433,484.43</u>		<u>721,225,198</u>
<b>Total Assets</b>		<u><b>873,646,945.78</b></u>		<u><b>752,801,788</b></u>
<b>EQUITY &amp; LIABILITIES</b>				
<b>Capital &amp; Reserves</b>				
Stated Capital	(16)	341,603,240.00		341,603,240
Retained Earnings		<u>393,494,689.41</u>		<u>309,240,075</u>
<b>Total Equity</b>		<u><b>735,097,929.41</b></u>		<u><b>650,843,315</b></u>
<b>Non-Current Liabilities</b>				
Employee Benefit Obligations	(17)	9,289,193.44		9,031,553
Deferred Tax Liabilities	(11)	<u>2,061,457.62</u>		-
		<u><b>11,350,651.06</b></u>		<u><b>9,031,553</b></u>
<b>Current Liabilities</b>				
Trade & Other Payables	(18)	9,108,775.15		69,465,189
Amounts Due to Related Parties	(19)	112,322,100.00		23,441,600
Income Tax Payable	(20)	<u>5,767,490.16</u>		<u>20,131</u>
		<u><b>127,198,365.31</b></u>		<u><b>92,926,920</b></u>
<b>Total Equity &amp; Liabilities</b>		<u><b>873,646,945.78</b></u>		<u><b>752,801,788</b></u>

These Financial Statements are prepared in compliance with the requirements of the Companies Act No.07 of 2007.

*[Signature]*  
Accountant

The Board of Directors are responsible for the preparation and presentation of these Financial Statements.  
Signed for and on behalf of the Board by,

Name  
DIRECTOR ..... ARUN MAMMEN .....

Signature  
*[Signature]*

DATE OF APPROVAL  
BY THE BOARD ..... 24-04-2023 .....

The Notes to the Financial Statements in pages (05) to (18) form an integral part of these Financial Statements.





**MRF LANKA (PVT) LIMITED****STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31ST MARCH, 2023**

	<b>2023</b>	<b>2022</b>
	<b>Rs.</b>	<b>Rs.</b>
<b><u>Cash Flow from Operating Activities</u></b>		
Net Profit before Taxation	105,650,692	40,096,712
<b><u>Adjustments for,</u></b>		
Finance Costs	2,069,556	2,032,501
Depreciation	3,738,531	4,465,900
Provision for Gratuity	701,897	942,317
	<u>6,509,984</u>	<u>7,440,718</u>
Operating Cash Flow before Working Capital Changes	112,160,676	47,537,430
<b><u>Working Capital Changes</u></b>		
(Increase)/Decrease in Inventories	(118,518,612)	(2,163,506)
(Increase)/Decrease in Debtors & Receivables	(49,697,698)	(7,531,352)
Increase/(Decrease) in Amounts Due to Related Parties	88,880,500	23,441,600
Increase/(Decrease) in Trade & Other Payables	(60,356,414)	45,596,170
	<u>(139,692,224)</u>	<u>59,342,912</u>
Cash Generated from Operations	(27,531,548)	106,880,342
Income Tax Paid	(10,925,663)	(6,342,127)
Finance Costs Paid	(2,069,556)	(2,032,501)
Gratuity Paid	(444,257)	-
Net Cash Flow From/(Used in) Operating Activities	<u>(13,439,476)</u>	<u>(8,374,628)</u>
<b><u>Cash Flow from Investing Activities</u></b>		
Acquisition of Property, Plant & Equipment	(37,000)	(154,876)
Cash Generated from Investing Activities	<u>(37,000)</u>	<u>(154,876)</u>
<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>	(41,008,024)	98,350,839
<b>Cash &amp; Cash Equivalents at the beginning of the year</b>	<u>546,576,851</u>	<u>448,226,012</u>
<b>Cash &amp; Cash Equivalents at the end of the year</b>	<u><u>505,568,827</u></u>	<u><u>546,576,851</u></u>
<b><u>Analysis of Cash and Cash Equivalents</u></b>		
<b><u>Cash at Bank</u></b>		
- SBI Colombo (LKR)	1,059,338	467,823
- SBI Colombo (USD)	22,567,913	6,540,117
- HNB Dankotuwa	7,408,110	1,825,793
- SBI Colombo (LKR OD)	-	257,056
Fixed Deposit - SBI Colombo	474,484,031	537,483,802
Cash in Hand	49,435	2,260
	<u>505,568,827</u>	<u>546,576,851</u>

The Notes to the Financial Statements in pages (05) to (18) form an integral part of these Financial Statements.

**MRF LANKA (PVT) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2023**

**1. CORPORATE INFORMATION**

1.1. General

MRF Lanka (Pvt) Ltd. is a Limited Liability Company incorporated and domiciled in Sri Lanka. The registered office of the Company and the principle place of business are located at No. 1, Dankotuwa Industrial Estate, Dankotuwa.

1.2. Principal Activities and Nature of Operations

The Company's principal business activities are manufacturing & selling of Pre-cured Tread Rubber, PCTR Ropes and Trading within Rubber Bonding Gum etc.

1.3. The Accounting Policies and Notes to the Financial Statements on pages (05) to (18) form an integral part of the Financial Statements.

1.4. Number of Employees

The average number of employees at the end of the year was 11 excluding, the outsourced employees.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

2.1. General Policies

2.1.1. Basis of preparation

The Financial Statements have been prepared in accordance with the Sri Lanka Financial Reporting Standard for Small and Medium sized Entities (SLFRS for SME's), issued by the Institute of Chartered Accountants of Sri Lanka (ICASL) and the requirements of the Companies Act No. 07 of 2007 and Sri Lanka Accounting and Auditing Standard Act No 15 of 1995.

2.1.2. Functional and Presentation Currency

The Financial Statements are presented in Sri Lanka Rupees, which is the Company's functional and presentation currency.

2.1.3. Basis of Measurement

The Financial Statements have been prepared on an accrual basis and under the historical cost convention unless stated otherwise.

*Contd...(06)*



**MRF LANKA (PVT) LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2023**2.1.4. Comparative Information

The Accounting policies applied by the company are, unless otherwise stated, consistent with those used in the previous year. Previous year's figures and phrases have been rearranged, wherever necessary to conform to the current year's presentation.

2.1.5. Going Concern

The Directors have made an assessment on the Company's ability to continue as a going concern and they do not intend either to liquidate or to cease trading.

2.1.6. Taxation

Income Tax comprises current and deferred taxes. Income Tax expense is recognized in the Income Statement except to the extent that it relates to items recognized directly in equity in which case it is recognized in Equity.

(a) Current Taxes

The provision for Income Tax is based on the elements of Income and Expenditure as reported in the Financial Statements and computed in accordance with the provisions of the Inland Revenue Act. No.24 of 2017 and subsequent amendments thereon.

(b) Deferred Taxation

Deferred tax is recognized using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized for all temporary differences and carried forward of unused tax losses to the extent that it is probable that future taxable profits will be available against which such temporary differences and carried forward tax losses can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

**MRF LANKA (PVT) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2023**

2.1.7. Foreign Currency Conversion

All foreign exchange transactions are converted in to Sri Lanka Rupees, which is the reporting currency at the rates of exchange at the time, the transactions were affected. Monetary assets and liabilities denominated in foreign currencies are translated in to Sri Lankan Rupee equivalents using year end closing foreign exchange rates. Non monetary assets and liabilities are translated using exchange rates that existed when the values were determined. The resulting losses are accounted for in the Income Statement.

2.1.8. Borrowing Costs

Borrowing costs are recognized as an expense in the period in which they are incurred, except where borrowing costs are directly attributable to the acquisition.

2.2. Valuation of Assets and their Measurement Bases

2.2.1. Inventories

Inventories are valued at cost or net realizable value whichever is lower; the general basis on which cost is determined is as follows:

Inventory items other than finished goods and work in progress have been valued at FIFO basis.

Finished goods and work in progress have been valued at factory cost which includes all direct expenditure and production overhead at normal level of activity.

2.2.2. Trade and Other Receivables

Trade receivables are stated at the amounts they are estimated to realize net of provisions for bad and doubtful debts.

2.2.3. Cash and Cash Equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits and short term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose statement of cash flows , cash and cash equivalents consist of cash in hand and deposits in banks.



**MRF LANKA (PVT) LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2023**2.2.4. Property, Plant & Equipment(a) Cost and Valuation

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to allocate the cost of assets less their residual values over their estimated useful lives.

Depreciation is calculated by using a written down value method on cost for Buildings, Plant, Machinery and Equipment, Lab equipment, fire extinguishers, molds & dies and electrical equipment in order to write off such amounts over the following estimated useful lives. Straight-line basis is used for furniture and fittings, office equipment and computers. The principal annual rates used are,

Buildings	10.00%
Plant, Machinery & Equipment	27.82%
Furniture and Fittings	20.00%
Office Equipment	20.00%
Lab Equipment	13.91%
Computers	20.00%
Other Equipment (Fire Extinguishers & Electrical Equipment)	13.91%
Moulds & Dies	40.00%

Provision is made from the date the assets are put to use.

(b) Restoration Costs

Expenditure incurred on repairs or maintenance of property, plant and equipment in order to restore or maintain the future economic benefits expected from originally assessed standard of performance is recognized as an expense when incurred.

(c) Impairment of Assets

At each reporting date, property, plant and equipment, intangible assets, and investments in associates are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in profit or loss.

*Contd...(09)*

**MRF LANKA (PVT) LIMITED****NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2023****Impairment of Assets (Contd...)**

Similarly, at each reporting date, inventories are assessed for impairment by comparing the carrying amount of each item of inventory (or group of similar items) with its selling price less costs to complete and sell. If an item of inventory (or group of similar items) is impaired, its carrying amount is reduced to selling price less costs to complete and sell, and an impairment loss is recognized immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount (selling price less costs to complete and sell, in the case of inventories), but not in excess of the amount that would have been determined had no impairment loss been recognized for the asset (group of related assets) in previous years. A reversal of an impairment loss is recognized immediately in profit or loss.

**2.2.5 Lease Hold Land****Operating Lease**

The Company pays Rs. 446,400.00 as the rental for the land acquired under the operating lease.

**2.3. Financial instruments****2.3.1. Trade and other receivables and cash and cash equivalents**

These financial assets are recognized initially at the transaction price. Subsequently they are measured at amortized cost using the effective interest method, less provision for impairment. Sales are made on normal credit terms and trade receivables do not bear interest.

Where there is objective evidence that the carrying amounts of receivables are not recoverable, an impairment loss is recognized in profit or loss.

**2.3.2. Other short-term financial assets**

Other short-term financial assets comprise investments in equity securities and fixed deposits. They are recognized initially at transaction price. After initial recognition, investments in equities that are publicly traded or for which the fair value can be measured reliably, are measured at fair value with changes in fair value recognized in profit or loss. Other equity investments are measured at cost less any impairment.

*Contd...(10)*



**MRF LANKA (PVT) LIMITED****NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2023**2.3.3. Financial liabilities

The Company's financial liabilities include borrowings and trade and other payables. Financial liabilities are recognized initially at transaction price. After initial recognition they are measured at amortized cost using the effective interest method. Trade payables are on normal credit terms and do not bear interest.

2.4. Employee benefits2.4.1. Defined Contribution Plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contribution to Employee Provident and Employee Trust Funds covering all employees are recognized as an expense in profit or loss as incurred. The Company contributes 12% and 3% of gross emoluments of Employees as Provident Fund and Trust Fund contribution respectively.

2.4.2. Defined Benefit Plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit obligation is measured using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future payments by reference to market yields at the reporting date on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability.

The liability is neither externally funded nor actuarially valued.

Company has used following assumptions in arriving its retirement benefit liability.

Discount Rate	18.12%
Annual Salary Increment Rate	15.40%
Staff Retirement Age	60 years

2.5. Income statements.2.5.1. Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and sales taxes. The following specific criteria are used for the purpose of recognizing of revenue.

*Contd...(11)*

MRF LANKA (PVT) LIMITEDNOTES TO THE FINANCIAL STATEMENTSFOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2023Revenue Recognition (Contd.....)(a) Sale of Goods

Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods have been passed to the buyer; with the Company retaining neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

(b) Interest Income

Interest Income is recognized on a Cash basis.

2.5.2. Expenditure Recognition

Expenditures is recognized in the Income Statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the Property, Plant and Equipment in a state of efficiency has been charged to income in arriving at the profit for the year.

2.6. Statement of Cash Flows

The Statement of Cash Flows has been prepared using the “Indirect Method” in accordance with section 07 of Sri Lanka Financial Reporting Standard for SMEs. (“Cash Flow Statements”). Cash and Cash Equivalents consist of cash in hand and deposit in banks net of outstanding bank overdrafts.

Interest paid is classified as operating cash flows, which interest received is classified as investing cash flows, for the purpose of presentation statement of Cash Flows, reported based on the indirect method.

2.7. Directors’ Responsibility Statement

Directors acknowledge the responsibility for true and fair presentation of the Financial Statements in accordance with the books of accounts, Sri Lanka Accounting Standards and requirements of the Companies Act No. 07 of 2007.

2.8. Events occurring after the Balance Sheet Date

Subsequent to the Balance sheet date no circumstances have been arisen which would require adjustments to or disclosure in the Financial Statements.

Contd...(12)



**MRF LANKA (PVT) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2023**

2.9. **Capital Commitment and Contingencies**

There were no material commitments approved by the board of Directors or contracted by the company as at 31<sup>th</sup> March, 2023. In the normal course of business, the Company makes various commitments and not incurred contingent liabilities which give rise to legal recourse, hence material losses are not anticipated.

2.10. **Litigation**

In the normal course of business, the Company has not become a party to any type of litigation which will have a material impact on the reported results.

3. **CONTINGENT LIABILITIES**

There are no contingent liabilities as at 31<sup>st</sup> March 2023.

**MRF LANKA (PVT) LIMITED****NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31ST MARCH**

	<b>2023</b>		<b>2022</b>
	<b>Rs.</b>	<b>Cts.</b>	<b>Rs.</b>
<b>(4) <u>REVENUE</u></b>			
Sales - Local	460,132,460.03		306,841,489
Sales - Export	87,347,582.34		18,791,835
	<u>547,480,042.37</u>		<u>325,633,324</u>
<i>Less : <u>Export Expenses</u></i>			
Sea Freight	(358,530.00)		-
Shipping Expenses	(607,407.00)		(74,543)
	<u><u>546,514,105.37</u></u>		<u><u>325,558,781</u></u>
<b>(5) <u>OPERATING PROFIT/(LOSS)</u></b>			
Operating Profit/Loss is stated after charging all Expenses including the following:			
Auditors' Remuneration	225,000.00		200,000
Factory (Salaries, EPF/ETF, Other Allowances)	7,615,416.50		8,474,282
Office (Salaries, EPF/ETF, Other Allowances)	16,907,099.88		19,218,327
Masticating Charges	19,499,834.88		17,366,891
Depreciation and Amortization	3,738,530.82		4,465,900
<b>(6) <u>FINANCE INCOME</u></b>			
Interest Income - Fixed Deposits	44,674,476.74		20,634,519
	<u><u>44,674,476.74</u></u>		<u><u>20,634,519</u></u>
<b>(7) <u>FINANCE COSTS</u></b>			
Bank Charges	2,069,555.84		1,103,264
Interest on Bank OD - LKR	-		929,237
Ex. Diff. Fluctu. Exports	(1,541,017.75)		42,629
Ex. Fluctuation Frn. Imports	5,645,534.64		33,006,840
Exchange Fluctuations - Transfer	(20,772,605.62)		(44,872,047)
	<u><u>(14,598,532.89)</u></u>		<u><u>(9,790,077)</u></u>
<b>(8) <u>TAXATION</u></b>			
Income Tax Provision for the year	(16,604,663.17)		3,430,904
Deferred Tax Provision/(Reversal) for the year	(4,723,055.18)		(3,860,490)
	<u><u>(21,327,718.35)</u></u>		<u><u>(429,587)</u></u>
<b>(9) <u>EARNINGS PER SHARE</u></b>			

Basic Earnings per share is calculated by dividing the net Profit for the year attributable to ordinary shareholders by the number of Ordinary Shares outstanding during the year.

	<b>2023</b>	<b>2022</b>
Net Profit attributable to Ordinary Shares (Rs.)	84,322,973.62	40,526,298
	34,160,324	34,160,324
Earnings per Share (Rs.)	<u><u>2.47</u></u>	<u><u>1</u></u>





MRF LANKA (PVT) LIMITEDNOTES TO THE FINANCIAL STATEMENTSAS AT 31st March 2023(10) PROPERTY, PLANT & EQUIPMENT

Descriptions	At Cost				Depreciation				W.D.V.	W.D.V.
	Opening Balance as at 01.04.2022	Additions During the year	Disposals During the year	Closing Balance as at 31.03.2023	Balance as at 01.04.2022	Charge For the Year	Disposals For the Year	Closing Balance as at 31.03.2023	as at 01.04.2022	as at 31.03.2023
	Rs. Cts.	Rs. Cts.	Rs. Cts.	Rs. Cts.	Rs. Cts.	Rs. Cts.	Rs. Cts.	Rs. Cts.	Rs. Cts.	Rs. Cts.
Building	64,992,470.00	-	-	64,992,470.00	40,122,333.43	2,487,013.66	-	42,609,347.09	24,870,136.57	<b>22,383,122.91</b>
Plant & Machinery	94,991,272.00	-	-	94,991,272.00	92,567,357.39	674,329.15	-	93,241,686.54	2,423,914.61	<b>1,749,585.46</b>
Lab Equipment	2,649,535.00	-	-	2,649,535.00	2,391,850.01	35,843.98	-	2,427,693.99	257,684.99	<b>221,841.01</b>
Electrical Equipment	58,405.00	-	-	58,405.00	58,398.99	-	-	58,398.99	6.01	<b>6.01</b>
Furniture & Fittings	3,274,589.00	37,000.00	-	3,311,589.00	3,068,797.14	82,199.20	-	3,150,996.34	205,791.86	<b>160,592.66</b>
Office Equipment	1,991,001.00	-	-	1,991,001.00	1,708,667.26	106,738.40	-	1,815,405.66	282,333.74	<b>175,595.34</b>
Computer & Printers	1,588,229.00	-	-	1,588,229.00	1,510,120.67	33,600.00	-	1,543,720.67	78,108.33	<b>44,508.33</b>
Moulds & Dies	36,129,372.00	-	-	36,129,372.00	35,332,355.94	318,806.43	-	35,651,162.37	797,016.06	<b>478,209.63</b>
Leasehold Property-Land	637,993.00	-	-	637,993.00	637,993.00	-	-	637,993.00	-	-
	206,312,866.00	37,000.00	-	206,349,866.00	177,397,873.81	3,738,530.82	-	181,136,404.63	28,914,992.19	<b>25,213,461.35</b>
									28,914,992.19	<b>25,213,461.35</b>

MRF Lanka (Pvt) Ltd has leased out a land from Land Reform Commission for 50 years commencing on 30th June 2005.

The lease period will be expired on 31st July 2055. The Company has paid an amount of Rs.446,400.00 in the year 2022/2023. (2021/2022 Rs. 446,400.00)

**MRF LANKA (PVT) LIMITED****NOTES TO THE FINANCIAL STATEMENTS**  
**AS AT 31ST MARCH**

	<i>Note</i>	2023	2022
		Rs.	Rs.
<b>(11) <u>DEFERRED TAXATION</u></b>			
Balance at the beginning of the Year		2,661,597.56	(1,198,893)
Provision/(Reversal) for the Year		(4,723,055.18)	3,860,490
Balance at the end of the Year	(11.1)	<u><u>(2,061,457.62)</u></u>	<u><u>2,661,598</u></u>
<b>(11.1) <u>DEFERRED TAX (ASSETS)/LIABILITY</u></b>			
Accelerated depreciation allowances for Tax purposes - Property, Plant & Equipment		16,160,718.85	14,942,167
Defined Benefit Plan Liability		(9,289,193.44)	(9,031,553)
Unutilized Business Loss C/F		-	(20,697,267)
Base for Deferred Tax (Assets)/Liability		<u>6,871,525.41</u>	<u>(14,786,653)</u>
Deferred Tax (Assets)/Liability		<u><u>(2,061,457.62)</u></u>	<u><u>(2,661,598)</u></u>
<b>(12) <u>INVENTORIES</u></b>			
Materials		117,298,944.24	54,032,240
Work-in-Progress		14,544,854.40	15,364,015
Finished Goods		47,234,210.35	28,819,866
Traded Goods		34,309,282.03	4,200,209
Spare Parts		12,404,853.39	12,329,623
Furnance Oil		3,648,717.54	961,879
Stock Account - Consumables		7,221,594.12	2,436,013
		<u><u>236,662,456.07</u></u>	<u><u>118,143,844</u></u>
<b>(13) <u>DEBTORS &amp; RECEIVABLES</u></b>			
Trade Debtors - Receivables from Exports		(184,954.46)	(221,077)
Trade Debtors - Local Receivables		36,867,054.35	30,772,529
Deposit Advances	(13.1)	47,483,887.98	9,518,211
VAT Receivable (Net)		22,036,213.73	16,434,840
		<u><u>106,202,201.60</u></u>	<u><u>56,504,504</u></u>

**MRF LANKA (PVT) LIMITED****NOTES TO THE FINANCIAL STATEMENTS**  
**AS AT 31ST MARCH**

	2023		2022
	Rs.	Cts.	Rs.
<b>(13.1) <u>DEPOSITS &amp; ADVANCES</u></b>			
Deposits - Electricity	1,250,000.00		1,250,000
Other Recoveries	277,099.00		254,650
EMD/Deposit Paid - From 01 July 2009	19,200.00		19,200
Advance for RM Purchase	4,000.00		4,000
Advance for Capital/Spares	21,580.00		123,153
Advance for Others	-		75,800
Interest On Short Term Bank Deposits	44,380,126.18		5,709,362
Pre Paid Expenses	1,531,882.80		2,082,046
	<u>47,483,887.98</u>		<u>9,518,211</u>
<b>(14) <u>SHORT TERM INVESTMENTS</u></b>			
Short Term Bank Deposits- USD		-	116,724,771
Short Term Bank Deposits - LKR	474,484,030.90		420,759,031
	<u>474,484,030.90</u>		<u>537,483,802</u>
<b>(15) <u>CASH &amp; CASH EQUIVALENTS</u></b>			
Cash at Bank - SBI Colombo LKR (ac46821)	1,059,338.15		467,822
Cash at Bank - SBI Colombo - US\$ (ac46822)	22,567,912.70		6,540,117
Cash at Bank - HNB Dankotuwa (ac46823)	7,408,110.01		1,825,793
Cash at Bank - SBI Colombo LKR - OD (ac46825)	-		257,056
Cash in Hand	49,435.00		2,260
	<u>31,084,795.86</u>		<u>9,093,048</u>
<b>(16) <u>STATED CAPITAL</u></b>			
		<i>No. of Shares</i>	
Fully Paid Ordinary Shares		34,160,324	
	<u>341,603,240.00</u>		<u>341,603,240</u>
	<u>341,603,240.00</u>		<u>341,603,240</u>
<b>(17) <u>EMPLOYEE BENEFIT OBLIGATIONS</u></b>			
Balance at the beginning of the year	9,031,553.31		8,089,236
Provision for the year - Staff.	617,397.13		557,507
- Workmen.	84,500.00		384,810
Paid during the year	(444,257.00)		-
Balance at the end of the year	<u>9,289,193.44</u>		<u>9,031,553</u>



**MRF LANKA (PVT) LIMITED****NOTES TO THE FINANCIAL STATEMENTS**  
**AS AT 31ST MARCH**

	<i>Note</i>	2023		2022
		Rs.	Cts.	Rs.
<b>(18) <u>TRADE &amp; OTHER PAYABLES</u></b>				
Creditors - RM Purchase- Local			-	1,515,500
Creditors - RM Purchase-Imports			-	61,867,270
Vendors - Stores & Spares/ Capital - Local			(46,877.50)	(734,646)
Vendor - Fuel (CPC)			(40.03)	-
Creditors - Previous Years			14,095.00	14,095
GR/IR Control account-RM Local			19,416.37	19,416
GR/IR Control account- Others/Services			(0.15)	48,000
Creditors - Payables & Accruals	<b>(18.1)</b>		9,122,181.46	6,735,554
			<u>9,108,775.15</u>	<u>69,465,189</u>
<b>(18.1) <u>PAYABLES &amp; ACCRUALS</u></b>				
B. R. De Silva & Co - Audit Fee			365,000.00	287,000
ETF			39,654.03	36,203
EPF - Employees			158,616.10	96,539
EPF - Employer			105,744.08	144,808
PAYE			153,992.10	25,965
CESS on NR Purchases			-	40,000
Social Sec. Con. Levy Pyable			1,103,621.00	-
NBT Collection			50,018.15	-
WHT Collection			13,500.00	-
Provision for Bonus - 2022-23			638,940.00	499,123
Commissioner General of IRD - VAT			2,282,729.00	1,403,505
Makeeta Manpower Service Feb & Mch 21			2,879,448.00	2,576,396
Ceylon Electricity Board			661,000.00	622,580
Ceylinco Insurance -Suwasampatha			-	255,588
Telephone - SLT /Dialog/ Lanka Bell			7,043.00	13,400
Maritime Freight International			578,000.00	415,000
PO - 3100000693			-	2,091
Royal Asia - Shipping Exps			84,876.00	-
Rocnal - Mixing			-	178,656
Samudhi PreCured Retreads - Mixing			-	138,700
			<u>9,122,181.46</u>	<u>6,735,554</u>

**MRF LANKA (PVT) LIMITED****NOTES TO THE FINANCIAL STATEMENTS****AS AT 31ST MARCH**

	<b>2023</b>		<b>2022</b>
	<b>Rs.</b>	<b>Cts.</b>	<b>Rs.</b>
<b>(19) <u>AMOUNTS DUE TO RELATED PARTIES</u></b>			
Payables to MRF Limited	112,322,100.00		23,441,600
	<u>112,322,100.00</u>		<u>23,441,600</u>
<b>(20) <u>INCOME TAX PAYABLE</u></b>			
Balance at the beginning of the year		(20,130.79)	(2,931,354)
Provision for the year (1st & 2nd 3rd Qtr 2022-23 & Feb23)		(16,604,663.17)	(3,430,904)
Income Tax Paid - Balance b/f 2020-21		20,130.79	2,931,354
Self Assessment Tax Paid 2022-23		10,905,532.00	3,410,773
Balance at the end of the year		<u>(5,699,131.16)</u>	<u>(20,131)</u>

**MRF LANKA (PVT) LIMITED**

**DETAILED INCOME STATEMENT**  
**FOR THE YEAR ENDED 31ST MARCH**

		2023		2022
	Note	Rs.	Cts.	Rs.
Revenue	(A)	546,514,105.37		325,558,781
Cost of Sales	(B)	<u>(476,963,985.82)</u>		<u>(289,794,000)</u>
Gross Profit		69,550,119.55		35,764,781
Other Operating Income	(C)	17,348,312.17		4,343,359
Administration Expenses	(D)	<u>(40,520,749.38)</u>		<u>(30,436,024)</u>
Profit from Operating Activities		46,377,682.34		9,672,116
Finance Income	(E)	44,674,476.74		20,634,519
Finance Costs	(F)	<u>14,598,532.89</u>		<u>9,790,077</u>
Profit before Taxation		105,650,691.97		40,096,711
<b><u>Taxation</u></b>				
Income tax Provision for the year		(16,604,663.17)		(3,430,904)
Deferred Taxation ( <i>Note -11</i> )		<u>(4,723,055.18)</u>		<u>3,860,490</u>
		(21,327,718.35)		429,587
Profit for the year		<u>84,322,973.62</u>		<u>40,526,298</u>



**MRF LANKA (PVT) LIMITED**

**ADDITIONAL NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31ST MARCH**

	2023		2022
	Rs.	Cts.	Rs.
<b>(A) <u>REVENUE</u></b>			
Sales - Local	460,132,460.03		306,841,489
Sales - Export	87,347,582.34		18,791,835
	<u>547,480,042.37</u>		<u>325,633,324</u>
<i>Less: <u>Export Expenses</u></i>			
Sea Freight	(358,530.00)		-
Shipping Expenses	(607,407.00)		(74,543)
	<u>(965,937.00)</u>		<u>(74,543)</u>
	<u><b>546,514,105.37</b></u>		<u><b>325,558,781</b></u>
<b>(B) <u>MANUFACTURING ACCOUNT</u></b>			
Cost of Raw Materials	400,417,848.95		224,963,749
Inventory Adjustments	57,812,705.66		1,862,705
Stock Revaluation	(71,433,520.26)		(7,338,542)
<i>Add : Factory Salaries &amp; Allowances</i>	7,122,410.00		7,822,050
E.P.F.	394,405.20		521,786
E.T.F.	98,601.30		130,446
Mixing & Masticating Charges	19,499,834.88		17,366,891
	<u>413,912,285.73</u>		<u>245,329,085</u>
Prime Cost	413,912,285.73		245,329,085
Electricity	9,289,693.00		7,034,991
Workmen - Bonus	230,563.00		240,000
Workmen Uniforms	448,300.00		266,600
Workmen Wages	18,443,859.00		14,419,437
Fuel	16,162,761.64		6,130,409
Depreciation - Building	2,487,013.66		2,763,349
Plant, Machinery & Equipment	674,329.15		920,855
Lab Equipment	35,843.98		41,635
Moulds & Dies	318,806.43		531,344
Consumables	3,817,432.97		3,235,154
Consumables - Tools	72,275.00		407,524
Repairs & Maintenance - Building	330,733.50		309,857
Repairs & Maintenance - Plant & Machinery	4,882,209.66		3,419,933
Stores & Spares - Local	853,816.65		230,148
Stores & Spares -Import	215,492.92		1,303,618
Repairs & Maintenance - Other Equipment	335,749.00		415,895
Engineering Consumables	2,503,444.57		646,586
Rent-Godowns	1,560,000.00		1,460,000
Insurance on Fixed assets	304,875.96		302,770
Workmen Gratuity	84,500.00		384,810
	<u>476,963,985.82</u>		<u>289,794,000</u>
	<u><b>476,963,985.82</b></u>		<u><b>289,794,000</b></u>

**MRF LANKA (PVT) LIMITED**

**ADDITIONAL NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31ST MARCH**

	2023		2022
	Rs.	Cts.	Rs.
<b>(C) <u>OTHER OPERATING INCOME</u></b>			
<b><u>Income from Sale of Trade Goods</u></b>			
Sales - Local	90,422,759.54		59,632,413
Sales - Export	14,649,360.00		-
	<u>105,072,119.54</u>		<u>59,632,413</u>
Cost of sales	<u>(88,401,590.93)</u>		<u>(56,352,951)</u>
Gross Profit from Sale of Trade Goods	16,670,528.61		3,279,462
Scrap Sales	677,783.56		1,063,897
Net Profit from sale of Trade Goods	<u><u>17,348,312.17</u></u>		<u><u>4,343,359</u></u>
<b>(D) <u>ADMINISTRATION EXPENSES</u></b>			
Depreciation - Furniture & Fittings	82,199.20		72,852
Office Equipment	106,738.40		104,948
Computer & Printers	33,600.00		30,917
Lease Rentals	446,400.00		446,400
Audit Fee	225,000.00		200,000
Salaries	5,858,475.00		4,700,158
Bonus - Staff	488,059.00		230,000
Conveyance Subsidy	3,281,350.00		2,643,474
Other Allowances	5,955,414.53		10,418,955
Subscription	131,925.00		123,900
Staff Welfare - RO Canteen	2,206,272.00		665,884
EPF	1,449,488.28		1,164,592
ETF	362,372.07		291,148
Licence Fees	205,756.00		135,650
Insurance - Stocks	155,249.04		141,517
- Others	255,588.00		255,588
Travelling - Management	1,043,500.00		523,000
Transfer Expenses - Management Staff	145,376.00		133,809
Professional Charges	443,438.00		370,650
Printing & Stationery	500,431.64		344,048
Postages & Telegrams	172,095.00		98,398
Telephone & Telex	131,238.00		163,498
Motor Car - Running Expenses	3,833,336.00		2,673,705
Technical Fees	181,613.80		131,774

(Contd)

**MRF LANKA (PVT) LIMITED**

**ADDITIONAL NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31ST MARCH**

	2023		2022
	Rs.	Cts.	Rs.
<b>(D) <u>ADMINISTRATION EXPENSES (CONTD....)</u></b>			
General Charges	3,079,726.38		981,812
SSCL ( Social Security Contribution Levy)	5,864,375.91		-
Watch & Ward	2,869,535.00		2,572,640
Gratuity	617,397.13		557,507
Tax Computation & Return Filing Charges	50,000.00		44,000
Freight on FG- Transport	344,800.00		215,200
	<b><u>40,520,749.38</u></b>		<b><u>30,436,024</u></b>
<b>(E) <u>FINANCE INCOME</u></b>			
Interest Income - Fixed Deposits	44,674,476.74		20,634,519
	<b><u>44,674,476.74</u></b>		<b><u>20,634,519</u></b>
<b>(F) <u>FINANCE COSTS</u></b>			
Bank Charges	2,069,555.84		1,103,264
Interest on Bank OD'S	-		929,237
Ex. Diff. Fluctu. Exports	(1,541,017.75)		42,629
Ex. Diff. Fluctu. Imports	5,645,534.64		33,006,840
Exchange Fluctuations - Transfers	(20,772,605.62)		(44,872,047)
	<b><u>(14,598,532.89)</u></b>		<b><u>(9,790,077)</u></b>